

CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

STATOTHR

JUN 25 1954

Dear Harry:

Thank you very much for your letter of June 14, forwarding a copy of [REDACTED]

The article has proved to be of some interest to our specialists and we are making arrangements to forward to you the sum of \$100 as reimbursement [REDACTED] for his substantial efforts in preparing this article on the Chinese Communist economy, with the understanding, however, that the article not be published.

The conclusions of [REDACTED] article, as summarized in his Table II, are based on a formula said to have been originated by Kao Kang. In his report to the first meeting of party delegates of Manchuria, 13 March 1950, Kao's statement is taken to indicate a basis used by the Chinese Communists in establishing their so-called previous peaks of production of various industries, which are less than the actual peaks and therefore give to Chinese Communist indices based on those peaks an upward bias. The phrase from Kao Kang's report on which the formula was said to be based was translated in a footnote in an ECAFE bulletin published in Bangkok in 1953 as follows:

"With regard to the rehabilitation work carried out by us, public industrial enterprises succeeded in restoring their production in 1949 to around 29 percent of the level reached in 1943 by the Japanese and the 'puppet' regime (not taking into account, however, badly damaged plants the restoration of which was very difficult or even impossible)".

A copy of the page from Kao Kang's report from which the footnote in the ECAFE article was translated is enclosed. Since various translators render the passage differently, our specialists suggest

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that you ask [REDACTED] to consider the passage in its context and give his rendition of it, considering it also in the light of the Pauley Report, which [REDACTED] quotes as a reference. The Pauley Report indicates that the productive facilities of whole industries - not merely "plants" - were removed by the Russians as reparations in 1945. The point is that other authorities have considered that Kao used the term which has been mistakenly translated as "plants" to mean only those industries which were totally incapacitated by the Russian removals and that these industries were therefore excluded from Kao's general index of 29 percent for Manchurian industrial production in 1949; but, however, that Kao did not exclude from his indices of peak production of individual industries the past production of any particular plants as parts of those whole industries which were still in existence at that time.

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Our specialists indicated that they had high regard for [REDACTED] scholarship in his past publications. I should appreciate it if you would, with your usual discretion, ascertain his further views on the above question and pass them on to me.

As you can see, the matter of interpreting Chinese Communist indices involves more than the placing together of bits of information from their published reports. Just between you and me, I suggest that you not use [REDACTED] research findings as the basis of an article for The Times.

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It was good to hear from you. I appreciate your keeping me in mind when such matters as this come to your attention.

Sincerely yours,

(3)

ROBERT AMERY, JR.

RR/A/F

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23 June 1954

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